

**PVTA
Pioneer
Valley
Transit
Authority**

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**MINUTES OF PVTA'S
FINANCE & AUDIT COMMITTEE MEETING
November 13, 2017**

The Finance and Audit Committee meeting of the Pioneer Valley Transit Authority was held on Monday, November 13, 2017 at 10:00 A.M. at the Pioneer Valley Transit Authority Administration Office located at 2808 Main Street in Springfield, MA.

PRESENT:

Members: Doug Slaughter, Amherst; Marilyn Ishler, South Hadley; Brian O'Leary, Belchertown; David Moskin, Hadley; Patrick Burke, Rider Representative;

NOT PRESENT:

Stephen Huntley, Chicopee;

Call to Order: David Moskin of the Finance & Audit Committee stated that the committee has a quorum and called the meeting to order at 10:04 A.M.

1. APPROVAL OF MINUTES OF FINANCE & AUDIT COMMITTEE MEETING OF SEPTEMBER 20, 2017

David Moskin asked for a motion from the Finance & Audit Committee to approve the meeting minutes of September 20, 2017.

Motion: Moved and seconded (O'Leary/Burke) to approve minutes from PVTA's Finance & Audit Committee meeting of September 20, 2017.

David Moskin asked if there was any discussion, hearing none, asked for all those in favor to say aye.

Motion passed by a unanimous vote.

2. OPEB TRUST

Chief Financial Officer, Patricia O'Leary reported the following:

Other Post-Employment Benefits (OPEB) refer to benefits other than pensions that employees receive after they retire. By far, the most significant of these is health insurance, but may also include life insurance, dental or other benefits paid after an employee's retirement.

Similar to an employee's pension benefits, OPEB are earned during the employee's active working career, but are not actually paid until after the employee retires. GASB directed that these future costs no longer be accounted for on a pay-as-you-go basis, but rather these liabilities must be recognized as they are earned.

The growing impact of OPEB disclosure on the PVTA financial statements has been a concern for some time. Last year, in anticipation of GASB Statement 75, PVTA began to develop the framework for a long-term strategy to appropriately address the growing concerns of these liabilities. Pursuant to the effective date of the Massachusetts Modernization Act on November 7, 2016 which updates OPEB Trust Fund guidelines of MGL Chapter 32, Section 20 and provides an expanded definition of "governmental unit" to include any political subdivision of the Commonwealth. PVTA has been planning the initial formation of an OPEB trust prior to June 30, 2018 (the effective date of Statement 75), based on a variable funding strategy, which we expect to reduce the costs of the current pay-as-you-go plan along with its associated balance sheet liability over the long term.

The primary reason to form an OPEB Trust is to harness investment returns to help pay for benefits. In the absence of a dedicated trust fund, PVTA pays for OPEB benefits on a "pay as you go" basis as eligible participants retire and receive those benefits. Once a trust is established, the PVTA can fund the OPEB benefits each year while the participant is working, and those accumulated contributions, together with investment returns compounded over the participant's career, are designed to fully pay for the OPEB benefits that the participant is expected to enjoy during retirement.

David Moskin: Is there a cost to managing the trust?

Patricia O'Leary: No, I will be managing the trust but there is a cost to setting it up. It's managed the same as cities and towns.

David Moskin: Is there an alternative to the trust?

Patricia O'Leary: No, there is a pay as you go.

David Moskin asked for a motion from the Finance & Audit Committee to recommend setting up an OPEB Trust to the full Board.

MOTION: Moved and seconded (Slaughter/Burke) to recommend setting up an OPEB Trust to the full Board.

David Moskin asked if there was any discussion. Hearing none; asked all those in favor to say aye.

Motion Passed unanimously.

3. 5-YEAR CAPITAL BUDGET

Chief Financial Officer Patricia O'Leary reported on PVTA's 5-Year Capital Budget.

Patricia O'Leary: This budget is very conservative and all the rolling stock we need is included.

David Moskin: Are there any areas of concerns?

Patricia O'Leary: Same concern as before, keeping the fleet in good repair.

Doug Slaughter: In FY 2021 there is an increase in 40' buses. Is that where we are in the life cycle of buses?

Sandra Sheehan: Yes.

David Moskin: Any opportunity in the future to purchase additional electric buses?

Patricia O'Leary: Since last year, the Secretary wants us to be all electric by 2025 but in last year's capital plan funding, the electric buses were denied.

A complete copy of the 5-Year Capital Budget has been filed with the minutes of this meeting.

4. 5-YEAR OPERATING BUDGET

Chief Financial Officer Patricia O'Leary reported the following on PVTA's 5-Year Operating Budget:

We were told to expect level funding in FY 2019. If we don't receive an increase in SCA, out of the gate we are already behind \$2.3M and looking at the bottom line of a \$3.1M deficit.

Previous Fiscal Year 2017: Farebox Revenue decreased \$657,025 over the prior fiscal year due to decreased ridership. This decline happened right from the start in FY 2017, causing PVTA to quickly adjust many expenses and other revenue opportunities accordingly.

Current Fiscal Year 2018: The impact of decreased State Contract Assistance to the RTA's in the aggregate amount of \$2M required, immediately reduced operational costs and revenues which were attained through the following measures:

Revenue: Received a CMAQ grant in the amount of \$400,000 to offset the cost of operating the P21 Express bus route using electric buses.

Expenditures: Administration - Elimination of the Procurement Officer position, Assistant to the CFO, Customer Service Representative; total savings \$183K wages, fringe, miscellaneous. Existing staff will be reassigned duties during reorganization. These savings are offset by \$40K in added expenses for negotiated Fixed Route Management fee, increase in CAM charges at Union Station and interest on RANS.

IT support in the amount of \$100,000 was eliminated (will be capitalized). Insurance Reserve was reduced by \$100,000. Reduction in Fringe expenditures by \$34K by negotiating a settlement with five long term employees to pay off 50% of a long- term liability of \$68K in grandfathered sick time agreed to at retirement by a former Administration of PVTA.

Fixed Route: Service reductions in the amount of \$858,287 including elimination of five routes and modifications to eleven routes. Elimination of \$400,000 from the UMTS budget (the University agreed to subsidize this cost). Negotiated lower bus berth cost at Union Station (\$7,665 savings).

FY 2019 budget assumes State Contract Assistance to the RTAs in the amount of a 2.5% annual increase since FY 2015, and PVTA being allocated 29% of the total RTAs share as it was in FY 2018. With this SCA budget for FY 2019, PVTA assumes no service reductions. Any significant change to State Contract Assistance will require service reductions that will likely affect major routes in the system.

Revenue: A fare increase is expected to be implemented in Fiscal Year 2019. PVTA is projecting to operate a shuttle service for the new MGM casino in Springfield. PVTA will be looking at the feasibility of

negotiating with the City of Springfield, and private companies to offer bus parking at Cottage Street. PVTA will be negotiating with Peter Pan Bus Lines and other private carriers to lease covered bus parking at Main Street location. Although the revenue will not be realized until FY 2020 when the site opens, the negotiations will begin in FY 2019.

Expenditures: FY 2019 is the first year of a new Labor Union Contract for the operators, mechanics, supervisors and administrative personnel who operate the majority of the fixed route service for PVTA. A conservative 3% increase is predicted in FY 2019. Estimated cost \$1,111,967.

Health insurance is predicted to increase by 12% in FY 2019 based on industry trends. Estimated cost of this increase, the increase for payroll related fringe benefits and modest increases in other fringe benefits is \$1,766,126.

Repair and Maintenance costs for the buses are expected to increase by 5% or \$124,822. The aging fleet is directly affecting the costs of preventive maintenance and/or off warranty repairs.

Utilities are projected to increase 25% in FY 2019, due to the relocation of operations to the Cottage Street facility, and 100% in FY 2020. Cost increases are \$11,999 in FY 2019 and an additional \$441,250 in FY 2020.

Patrick Burke: We need to start telling people to talk to the legislature and figure out a way to be more creative with funding.

5. FARE INCREASE DISCUSSION

Sandra Sheehan, PVTA Administrator: In a meeting with MassDOT, they encouraged us to raise fares. We have one of the lowest fares around. The Planning Commission has put together a fare study.

David Elvin from the Pioneer Valley Planning Commission gave a presentation on PVTA's Fare Impact Study and reported the following:

The purpose of this study is to help create a better understanding what is likely to happen to PVTA's ridership and fare revenue if the prices of bus and van fares are raised.

This study follows a commonly used method to estimate what will happen to PVTA's ridership and fare revenue if the prices of the fares and passes to ride buses and paratransit vans were to be increased by 20%, 25%, or 50% in the coming fiscal year (FY2019). This study also presents a possible schedule of fare prices and increase implementation dates for the coming seven years to what regular fare increases of 5% and 10% per year were to be approved as part of a one-time fare increase for FY2019.

Fare change options for FY2019 were developed to be comparable with the size of PVTA's fare increases in the past (15% in 1997; 33% in 2003; and 25% in 2008).

In addition to increasing the fare for FY2019, the Board has the option of increasing fares in future years on a regular and predictable basis as part of a single fare increase action.

A full copy of this presentation has been filed with the minutes of this meeting.

6. SERVICE REDUCTION DISCUSSION

Krystal Oldread, Director of Operations and Planning reported the following:

PVTA has come up with general approaches to help frame decision-making about upcoming service changes. We will be looking for direction from the Board to determine which method to focus on. The different approaches are:

- **Prioritize Geographic Coverage:** Focus on strategies to maintain bus routes and paratransit van services over larger, less densely populated outlying geographic areas. Budget savings are achieved by reducing service frequencies and spans on high ridership bus routes in core urban areas and to major institutions that now operate more frequently.
- **Prioritize High Ridership:** Focus on strategies to maintain service levels on high ridership bus routes in urban core areas and to major institutions by reducing service and/or eliminating routes in outlying suburban and rural areas with low ridership. Budget savings are achieved by reducing service on low performing routes with high costs per rider.
- **Address Costs of Non-Mandated Paratransit Services:** On paratransit services that are not federally required or monitored (ADA beyond ¾-mile and Senior “dial-a-ride” Service), focus on strategies to control and reduce costs commensurate with fixed route reductions, especially in areas where customers have other mobility alternatives.

7. OTHER BUSINESS

David Moskin reported that there is no other business to discuss.

8. ADJOURNMENT

The meeting of the PVTA Finance & Audit Committee adjourned (Burke/O’Leary/) at 11:35 A.M.

A TRUE RECORD

ATTEST:


BRANDY PELLETIER

Documents filed with Finance & Audit Committee Meeting packet:

- September 20, 2017 Finance & Audit Committee Meeting Minutes
- OPEB Trust Documents
- 5-Year Capital Budget
- 5-Year Operating Budget
- Fare Impact Study

Minutes Approved: January 24, 2018